

The Cost of Doing Nothing

We cannot get our economy back on track without repairing the American health care system. Health care reform is not just a moral imperative, but also an economic necessity. In 2007, the U.S. economy lost as much as \$207 billion as a result of the poor health and shorter lifespan of the uninsured, and 14,000 more American workers lost their health insurance every day in December 2008 and January 2009.

Skyrocketing health care costs add to families' already overwhelming burden, threatening their health and financial security. We can do better. Solving America's healthcare crisis will improve quality of care, reduce costs, and make businesses more competitive.

Soaring Costs

- There is a “hidden tax” on health insurance that arises from a failure to cover all Americans that accounts for roughly 8 percent of the average health premium. The cost-shift amounts to \$1,100 per average family premium in 2009 and \$410 per average individual premium. By 2013, if nothing is done to change the current trend, the cost-shift will reach \$1,300 for a family policy, or \$480 for an individual plan.¹
- Health Care costs are rising at a much faster pace than wages. Between 2000 and 2007, average health care premiums rose from \$6,772 to \$12,075, an increase of more than 78.3 percent. Wages, however, only rose about 15 percent. Premiums continued to grow, and in 2008, reached \$13,244 for a family of four, or a little over 26% of median household income.²
- The cost of employer sponsored health insurance for a family will reach \$24,000 by 2016 if no action is taken to halt soaring prices. Individual coverage will rise to \$8,269. This represents an 84% increase over 2008 premium levels. The average deductible will increase 73 percent to almost \$2,700 by 2016. Average copayments will climb to \$30. If this comes to pass, at least half of American households will need to spend more than 45% of their income to buy health insurance in 2016.³
- Elderly Americans are also facing steep out of pocket costs for health care. Even though Medicare is a necessary and popular program, it falls short of what many people ages 65 and over need to ensure health and financial security. People with Medicare coverage spend about 30 percent of their incomes, on average, on out-of-pocket health costs. Average out of pocket spending for Medicare beneficiaries is \$4,610.⁴

¹ Center for American Progress, 3/23/09

² “Premiums vs. Paychecks,” Kim Bailey Families USA, October, 2008; “The Cost of Doing Nothing ... ” by Sarah Axen and Elizabeth Carpenter, New America Foundation, [November, 2008](#).

³ “The Cost of Doing Nothing ... ” Ibid.

⁴ Lisa K. Davis, AARP.

- According to a recent survey by the Main Street Alliance – a network of state-based small business health care coalitions – 73% of small employers say they are willing to contribute financially to achieve quality, affordable health coverage for their employees. 63% say they are willing to contribute four to seven percent or more of total payroll costs, and 61% said they would have interest in buying into a statewide or national health care pool.⁵

Rising Unemployment and The Uninsured

- In December 2008, the U.S. unemployment rate reached 7.2%, the highest it has been since 1994. According to a recent report from the Kaiser Family Foundation, rising unemployment “jeopardizes health coverage for the 61% of the nonelderly population in the U.S. that receives health insurance through an employer. When individuals with employer-sponsored coverage become unemployed, they face the loss of both income and health insurance ... if an employee's dependents are covered through the employer, they too may lose coverage. Low- and moderate-income workers are especially vulnerable to becoming uninsured, since they typically have little savings to pay premiums when they are unemployed.”⁶
- People who lack health insurance received about \$56 billion in uncompensated care in 2008. Overall, nationwide health spending is expected to double to \$4.3 trillion in 2017. Administrative expenses are also expected to double to \$298 billion. Without reform, Medicare expenditures are projected to reach \$882 billion by 2017.⁷
- There are at least 45.7 million non-elderly Americans living without health insurance coverage. In 2007, this represented 1 in every 6 nonelderly adults. Of these, 37% are also living below the Federal Poverty Level. This does not take into account America’s 8.8 million uninsured children, almost 3.7 million of whom also live in poverty. ⁸
- Over 8 in 10 uninsured come from working families, and about two-thirds come from families that are poor or near poor. The ranks of the uninsured combined with those who lack adequate coverage, make up 42 percent of the working age population. ⁹

Inadequate Coverage

- As of 2007, an estimated 25 million insured people ages 19-64 were underinsured, meaning that they spent more than 25% of their pre-tax income on health care

⁵ The Main Street Alliance, “Taking the Pulse of Main Street. Small Businesses, Health Insurance, and Priorities for Reform.” [January 2009](#)

⁶ “Health Care Coverage and Rising Unemployment,” by Karen Schwartz, Published by the Kaiser Family Foundation, [December, 2008.](#)

⁷ AARP Public Policy Institute, November, 2008

⁸ The Uninsured: A Primer, Kaiser Family Foundation, October, 2008

⁹ The Uninsured: A Primer, Kaiser Family Foundation, October, 2008; “A Healthy Economy,” by Jacob S. Hacker, Published by The New Republic, 12/31/08

expenses. The number of underinsured adults rose sharply between 2003 and 2007 due to the erosion of coverage for middle-income families.¹⁰

- Compared to 2003, the share of underinsured older Americans increased by 60%. While adults ages 50-64 are more likely to be insured than younger Americans, they are also more likely to be underinsured, reflecting higher rates of chronic disease and poor health as adults reach the age of Medicare eligibility.¹¹

The health of the American economy cannot improve without addressing the healthcare crisis. Americans deserve a healthcare system that will deliver quality, affordable care to all, and jumpstart our economy with millions of good jobs. The longer we wait to act, the worse our economic situation will get.

The solution is clear. We need to create a new healthcare system that delivers high quality, affordable health care to every man, woman, and child in America now.

¹⁰ "How Many Are Underinsured? Trends Among U.S. Adults, 2003 and 2007," by Cathy Schoen, Sara R. Collins, Jennifer L. Kriss, and Michelle M. Doty, *Pub. Health Affairs Journal*, 6/10/08

¹¹ *Health Affairs Journal*, 6/10/08